

## MEMORANDUM

To: Senate Committees on Finance, and Natural Resources and Energy; and the House Committees on Commerce, and Natural Resources and Energy

From: Vermont Public Service Board

Re: Report on the Expansion of the Net Metering Program

Date: December 15, 2006

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Pursuant to 30 V.S.A. § 219b, the Vermont Public Service Board ("Board") is required to expand the scope of the net metering program established in 30 V.S.A. § 219a. In addition, the Board is required to submit a report regarding the expansion of the net metering program with the legislative committees by December 15, 2006. The full text of § 219b is included below:

- (a) The public service board shall expand the scope of the net metering program established in section 219a of this title, by rule or order, in accordance with the provisions of this section. As part of this expansion, the board shall consider:
  - (1) expanding the maximum kilowatt (AC) capacity of facilities that may participate in the program;
  - (2) allowing group net meter systems and defining membership in the group, which may be limited to, but need not be limited to, groups that consist of:
    - (A) physically contiguous customers; and
    - (B) a municipal customer for municipal and school uses, regardless of whether those uses are contiguous;
  - (3) providing compensation to the customer for any remaining unused kilowatt-hour credit accumulated during the previous 12 months;
  - (4) developing a system that allows the capture and sale of renewable energy credits (RECs) from net metering, including consideration of the need for electric companies to meet their infrastructure costs and the need to provide net metered energy producers with sufficient incentives

to encourage substantial development of net metered sources of electricity; and

(5) allowing net metering systems to be considered SPEED resources.

(b) Among the factors the board shall consider in performing its functions under this section shall be the following: potential short- and long-term impacts on rates, distribution system costs and benefits, and reliability and diversification costs and benefits.

(c) Before December 15, 2006, the public service board shall file a report with the senate committees on finance and on natural resources and energy and the house committees on commerce and on natural resources and energy regarding the expansion of net metering.

In order to comply with this legislative directive, we conducted a workshop and reviewed an initial round of written comments and reply comments from the Department of Public Service, the utilities, and the renewable energy community. Based on these comments we developed a draft net metering rule. The draft rule was then circulated to the parties for review and comment. Based on those comments, we amended the draft rule and have attached a copy of the amended draft rule for your review. A summary of the comments received on the draft rule and our response to those comments is also attached. We also plan to solicit additional comments as part of the formal rulemaking procedure to adopt an amended net metering rule in the early part of 2007.

#### Current Status of the Net Metering Program

Since the creation of the net metering program in 1998, we have issued approximately 300 certificates of public good for net metered systems. These include 218 photovoltaic systems, 64 wind systems, 17 combination wind and photovoltaic systems and 1 anaerobic digester system. The program allows for photovoltaic, wind, fuel cell, biomass gasification and farm anaerobic digestion systems. The program allows a system size limit for residential and commercial systems up to 15 kW and farm systems up to 150 kW. The program also allows for up to ten residential and commercial projects a year between 15 kW and 150 kW. We have issued certificates of public good for six farm systems and three systems greater than 15 kW. The program limits enrollment to 1% of the utility's peak demand for 1996 or most recent year. Approximately 90% of the resource potential under the program limits remains available.

Proposed Expansion of the Program

The draft rule expands the net metering program in several important ways, including: (1) allowing for individual and municipal group net metering systems; (2) increasing the number of systems with capacities between 15 kW and 150 kW allowed per year from ten to fifteen; (3) allowing excess net metered generation to be considered SPEED resources; (4) allowing credits to be maintained by the customer for a twelve month period before reverting to the utility, rather than reverting to the utility on a calendar year basis; and (5) expanding the types of systems eligible for net metering in accordance with 30 V.S.A. § 8002(2).

The draft rule does not raise the program enrollment limits beyond 1% of the utility's peak demand for 1996 or most recent year. Maintaining this cap on enrollment should avoid any potential impacts on rates or the safety and reliability of the electric system from the expansion of the program. Given that 90% of the potential resource under the cap is still available, we do not believe this will constrain expansion of the net metering program. If the cap is realized in the future, we can reconsider the program limits at that time.

Please contact the Board if you have any questions or comments regarding this report.